

USAID Project No. 386-0534

PROJECT GRANT AGREEMENT

BETWEEN

THE PRESIDENT OF INDIA

AND

THE UNITED STATES OF AMERICA

FOR

GREENHOUSE GAS POLLUTION PREVENTION PROJECT

APP: 724151021 BPC: HDV4-95-23386-KG-13 RCN: R400063 \$9,500,000.00

Dated! April 10, 1995

FUNDS AVAILABLE - US AID, I
CHECKED BY <i>[Signature]</i> <i>Apr 4/10</i>
AUTHORIZED BY <i>[Signature]</i> <i>4/10</i>

USAID Project No. 386-0534

PROJECT GRANT AGREEMENT

For The

GREENHOUSE GAS POLLUTION PREVENTION PROJECT

Between

THE PRESIDENT OF INDIA ("Grantee")

And

The United States of America, acting through the  
United States Agency for International Development ("USAID")

bated: April 10, 1995

Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project **described below**, and with respect to the financing of the Project by the Parties.

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Article 2: The Project

SECTION 2.1. Definition of the Project. The Project, Greenhouse Gas Pollution Prevention Project (GEEP), which is further described in Annex 1, is intended to assist the Grantee to reduce the volume of emissions of greenhouse gases per energy unit generated while increasing energy productivity and encouraging biomass fuel use in selected utilities and sugar industries. Such actions must be socially, economically, and technically viable on a sustainable basis. Within the limits of this definition of the Project, elements of the Amplified Project Description, as set forth in Annex 1, may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2, without formal amendment of this Agreement.

SECTION 2.2. Incremental Nature of the Project

(a) **USAID** intends to contribute a total of not to exceed Nineteen Million United States ("U.S.") Dollars (\$19,000,000) for this Project as described in Annex 1. **USAID's** contribution to the Project will be, provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to the availability of funds to **USAID** for this purpose, and to the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

(b) Within the overall Project Assistance Completion Date (PACD) stated in this Agreement, **USAID**, based upon consultation with the Grantee, may specify

in Project Implementation Letters (PILs) appropriate time periods and mechanisms for the utilization of funds granted by USAID under an individual **increment** of assistance.

Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee **in meeting** the costs of **carrying out** the Project, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant under the terms of this Agreement Nine Million Five Hundred Thousand U.S. Dollars (\$9,500,000) ("Grant").

The Grant **maybe** used to finance foreign exchange costs, as defined **in Section '6.1,** and local currency costs, as defined **in Section 6.2,** of **goods** and services required for the Project.

SECTION 3.2. Grantee Resources for the Project

(a) The Grantee agrees to provide or cause to be provided for the Project all funds) in addition to the Grant, and all other resources required to carry out the Project effectively and in a **timely** manner.

(b) It is the understanding of the Parties that over the life-of-the-project the Grantee will provide or **cause** to be provided from enterprises receiving **assistance** through the Project, the equivalent of Eighty-Seven Million Five Hundred Thirty Thousand U.S. Dollars (\$87,530,000) in cash and/or in kind as Host Country Contribution. Out of **this** amount, the National Thermal Power Corporation **Ltd.'s** contribution shall be the local currency equivalent of Nine **Million six**

Hundred Seventy-Five Thousand U.S. Dollars (\$9,675,000), as per Attachment B to Annex 1, and the balance equivalent of Seventy-Seven Million Eight Hundred Fifty-Five Thousand U.S. Dollars (\$77,855,000) will be provided by the sub-project participants and the participating development finance institutions (excluding NTPC) to be identified at a later date between the Parties. The Grantee agrees to provide or cause to be provided an initial increment of not less than the equivalent of Forty-Two Million Seven Hundred Twenty Thousand U.S. Dollars (\$42,720,000) with reference to total Host Country Contribution of the equivalent of Eighty-Seven Million Five Hundred Thirty Thousand U.S. Dollars (\$87,530,000).

SECTION 3.3. Project Assistance Completion Date

(a) The "Project Assistance Completion Date" (PACD), which is March 31, 2002, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished to the Project as contemplated in this Agreement.

(b) Except as USAID may otherwise agree in writing, USAID will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters (PILs), are to be

received by USAID or any Bank described in Section 7.1 no later than December 31, 2002, nine (9) months following the PACD, which is the Terminal Disbursement Date (TDD) for the Project, or Such other period as USAID agrees to in writing. After such period, USAID, giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Conditions Precedent to Disbursement

SECTION 4.1. First and Subsequent Disbursements. Prior to the first and all subsequent disbursements under the Grant, or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to USAID in form and substance satisfactory to USAID a statement of the name(s) of the person(s) holding or acting in the office(s) of the Grantee specified in Section 8.2, and of any additional representatives, together with a specimen signature of each person specified in such statement.

SECTION 4.2. Notification. When USAID has determined that the conditions precedent specified in Sections 4.1 have been met, it will promptly notify the Grantee.

SECTION 4.3. Terminal Date for Satisfaction of Conditions Precedent. If the condition specified in Section 4.1 has not been met within 90 days from the

date of this Agreement, or such later date as USAID may agree to in writing, USAID, at its option, may terminate this Agreement by written notice to the Grantee.

Article 5: Special Covenants

SECTION 5.1. Creation of Project Advisory Board. The Grantee agrees to create, in consultation with USAID, two Project Advisory Boards, one for each of the two components, to provide policy guidance and advice to the Project by September 30, 1995 or such later date as USAID may agree to in writing.

SECTION 5.2. Reporting of Grantee's Project Contribution. The Grantee agrees to furnish to USAID in writing, annually during the life of the Project, a report of the Grantee's contribution (in cash and in kind) which is provided pursuant to Section 3.2. The format and content of such report will be provided in a Project Implementation Letter.

SECTION 5.3 Evaluations; Except as the Parties may otherwise agree in writing, an annual review of the Project will be conducted during the life of the Project, including in-depth, mid-term and final evaluations.

The evaluation program will include!

(a) An evaluation of progress towards attainment of the objectives of the Project;

(b) Identification and evaluation of problem



areas or constraints which may inhibit such attainment;

- (c) Assessment of how such information may be used to help overcome such problems or constraints; and
- (d) Evaluation, to the degree feasible, of the overall development impact of the Project.

SECTION 5.4. Trainins. The Grantee shall make all training under the Project available without discrimination on the basis of gender,

The Grantee shall exercise every reasonable effort to require that personnel trained under the Project shall work in activities related to the Project or in ~~activities~~ approved for financing under this Project Grant Agreement, in India, for not less than three ~~times~~ the length of his or her training program.

SECTION 5.5. Expansion of Project Participants in Power Sector. The National Thermal Power Corporation shall provide ~~benefits~~ to all Indian electric power utilities, public and private, from the activities of the Center for ~~Power~~ Efficiency and Environmental Protection, on a cost recovery basis,

SECTION 5.6. Expansion of Project Participants in Baoasse Cogeneration Sector. The Industrial Development Bank of India shall include all developers who ~~meet~~ project eligibility requirements of alternative bagasse cogeneration in its program of technical assistance, training, and investment preparation.

Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs.

Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin, and with respect to services, their nationality in Code 935 countries of the **USAID Geographic Code Book** (Special Free World countries including India - list attached at Annex 3) as in effect at the time orders are placed or contracts are entered into for such goods and services ("Foreign Exchange Costs"), except as **USAID** may otherwise agree in writing.

SECTION 6.2. Local Currency Costs.

Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as **USAID** may otherwise agree in writing, their origin in India ("**Local Currency Costs**"). To the extent provided for under this Agreement, Local Currency Costs may also include the provision of local currency resources required for the Project.

Article 7: Disbursements

SECTION 7.1. Disbursements for Foreign Exchange costs .

(a) After satisfaction of the conditions **precedent**, the Grantee may obtain disbursements of funds as per Attachment A to Annex I under the Grant for the Foreign Exchange Costs of goods and services required for the Project in accordance with the terms

of this Agreement, by such of the following methods as may be mutually agreed upon:

(i) by submitting to **USAID**, with necessary supporting documentation as prescribed in Project Implementation Letters: (i) requests for reimbursement for such goods or services; or (ii) requests for **USAID** to procure commodities or services on the Grantee's behalf for the Project; or

(2) by requesting **USAID** to issue Letters of **Commitment** for specified amounts: (i) to one or more U.S. banks, satisfactory to **USAID**, committing **USAID** to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services; or (ii) directly to ~~one or more~~ contractors or suppliers, committing **USAID** to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by the Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the **Grant unless** the Grantee instructs **USAID** to the contrary. Such other charges as the Parties ~~may~~ agree to in writing ~~may also~~ be financed under the Grant.

#### SECTION 7.2. Disbursements for Local Currency Costs

(a) After satisfaction of the conditions precedent, and execution of appropriate case-by-case waivers by **USAID**, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement and appropriate **USAID** policy

guidance, by submitting to **USAID**, together with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements hereunder shall be purchased by **USAID** with U.S. Dollars from the Reserve Bank of India or from commercial banks offering the highest rate of exchange. The **U.S.** Dollar equivalent of the local currency made available hereunder will be the amount of **U.S.** Dollars required by **USAID** to obtain the local currency.

SECTION 7.3. Other Forms of Disbursement. Disbursements of the Grant funds **may also** be made through such other **means** as the Grantee and **USAID** may agree to in writing.

SECTION 7.4. Rate of Exchange: If funds provided under the Grant are introduced into India by **USAID** or any public or private agency for purposes of carrying out obligations of **USAID** hereunder, the Grantee will make such arrangements as **may** be necessary so that such funds **may be** converted into the currency of India at the highest rate of exchange which, at the **time the** conversion is made, is not unlawful in India.

Article 8: Miscellaneous

SECTION 8.1. Communications. Any notice, **request**, document or other **communication** submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and **will** be deemed

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duly given or sent when delivered to such Party at the following address:

To the Grantee:

Mail Address: Secretary to the Government of  
India  
Department of Economic Affairs  
Ministry of Finance  
North Block, New Delhi 110001

Alternative Address  
for Telegrams: ECOFAIRS, NEW DELHI

To USAID:

Mail Address: Mission Director  
USAID  
American Embassy)  
chanakyapuri  
New Delhi - 110021

Alternative Address  
for Telegrams! USAID, NEW DELHI

All such communications will be in English, unless the Parties otherwise agree in writing. other addresses may be substituted for the above by the Parties upon giving Written notice.

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the Office of the Joint Secretary, Department of Economic Affairs (DEA), Ministry of Finance, and USAID will be represented by the individual holding or acting in the Office of the Mission Director, In addition for all purposes relevant to the Alternative Bagasse


Cogeneration Component of the Project, the Grantee will be represented by the individual holding or acting in the Office of the General Manager, Technology Department of the Industrial Development Bank of India (IDBI). Each of these representatives, by written notice, may designate Additional Representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the Amplified Project Description in Annex 1. Any formal amendment to this Agreement will require the signatures of the authorized representatives of USAID, DEA, and IDBI; The names of the representatives of the Grantee, together with specimen signatures, will be provided by the Grantee to USAID which may accept as duly authorized any instrument signed by such representatives in implementation of this Project Grant Agreement, until receipt of written notice of revocation of their authority.

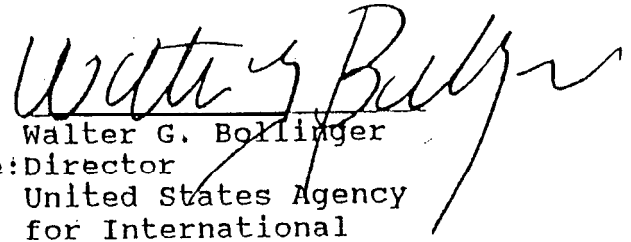
SECTION 8.3. Standard Provisions Annex. A  
"Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written,

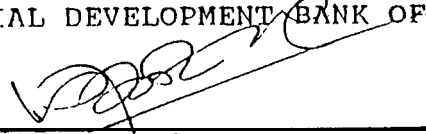
THE PRESIDENT OF INDIA

THE UNITED STATES OF AMERICA

By   
Name: Gajendra Haldea  
Title: Joint Secretary  
Department of Economic Affairs  
Ministry of Finance  
Government of India

By   
Name: Walter G. Bollinger  
Title: Director  
United States Agency  
for International  
Development Mission to New  
Delhi, India

INDUSTRIAL DEVELOPMENT BANK OF INDIA

By   
Name: V.J.B. Andrews  
Title: General Manager  
Technology Department

Amplified Project Description  
Greenhouse Gas Pollution Prevention Project

A. Background

The Greenhouse Gas Pollution Prevention (GEEP) Project will demonstrate potential **means of minimizing** greenhouse gas emissions in India. India ranks among the top five nations in greenhouse gas emissions; furthermore, its **emissions** are increasing at the second fastest rate. However, improvements in **fuel** conversion and combustion efficiency and changes in fuel selection can moderate or even reverse this growth. In order to address such issues, GEEP will have **two highly focussed** components designed to complement the projects of other donor agencies, the GOI, and the Indian private sector. Each component **will** provide funding for investment and technical assistance/training.

B. Project Description

1. Goal

The goal of the GEEP project is to increase environmental protection in the energy sector.

2. Purpose

The project purpose is to reduce the volume of emissions of greenhouse gases per energy unit generated while increasing energy productivity and encouraging **biomass** fuel use in selected utilities and sugar industries.

3. outputs

Outputs from the project will include:

- a) demonstration and use of advanced efficient generation techniques for sugar cogeneration;
- b) demonstration of advanced efficient generation techniques for coal-fired power plants.

4. Project Components

The project's two components will increase awareness, available information, and practical examples of the applicability of state-of-the-art pollution prevention, efficient fuel conversion and combustion, and industrial cogeneration technologies in an Indian setting. The components and the general areas of assistance they will cover **are:**



- a) **Alternative Bagasse Cogeneration (ABC) Component** - This component will work closely with and be complementary to the GOI bagasse-based cogeneration program and will provide technical **assistance** to catalyze, stimulate, and sustain private sector investment in sugar mills using alternative **bagasse/biomass** cogeneration technologies in India. It also contains an investment subcomponent in which funds will be used to lower the cost of capital for promoters who design their plants for dedicated usage of alternative biomass fuels;
- b) **Efficient Coal Conversion (ECC) Component** - The focus of this component will be to support the development of an institution promoting efficient management of **coal**-fired power plants and facilitating commercialization of advanced coal conversion technologies for sharing the benefits with Indian utilities, **NTPC's** responsibilities shall be limited to technical assistance and training for its own power plant staff and staff from selected other utilities on commercially viable technologies for improvement of existing coal-fired power plants and of commercially viable new coal conversion technologies. NTPC will not be responsible at all for implementation of improvements in power generation efficiency. The investment subcomponent for this portion of the project will provide incremental-cost grant funding to leverage investments in advanced coal conversion demonstration projects.

This is a **USAID** parallel-financed project as part of the Pilot Phase of the Global Environmental Facility (GEF), to be managed directly by **USAID**. Funding for the project is budgeted at US \$19 million over the seven year life of the project, subject to the conditions set forth in section 2.2(a) of **this** Agreement. These funds will be provided from the United States contribution to the GEF Pilot Phase. The project has been designed to meet both **USAID** and GEF project requirements. Of the US \$19 million, approximately \$12 million will be disbursed as investment support while the remaining \$7 million will **be** used for technical assistance, training and other costs as specified in Attachment **A**. This agreement covers the US \$19 million in GEF funds directed by **USAID**.

## 5. Roles and Responsibilities

Overall GEEP activities will be coordinated by **USAID/India**. The lead Indian institution for implementing the Technical Assistance and Training (TAT) activities of the ABC component will be a Project Support Unit (PSU) within the Industrial Development Bank of India (IDBI). For the TAT activities of the **ECC** Component a

Center for Power Efficiency and Environmental Protection (**CenPEEP**) will be established within the National Thermal Power Corporation (NTPC). IDBI will be the counterpart implementing agency for investment (INV) funding under both components. NTPC will not be responsible for the ECC investment component. For the ABC Component, the Indian **Renewable** Energy Development Agency (IREDA) will also be a Development Finance Institution (DFI) eligible to work with investors on ABC-INV subprojects. However, sub-project participants will be able to choose any institution to provide financing for their sub-projects. The IDBI Project Support Unit will work in close association with the two development finance institutions, IDBI and IREDA, to insure that development of ABC-INV sub-projects meet financial, management and risk minimization requirements. **USAID/India** will assign ABC-INV and ECC-INV grant funds to either of the DFIs through the Government of **India**. The funding mechanism to IDBI/IREDA for implementation of the ABC-INV and ECC-INV components of the project will be in accordance with the prescribed procedures of the **GOI**.

Each component will have an independent management structure, with an advisory board and an executive committee. The advisory boards will establish policy and hold annual progress reviews. Executive committees will approve work plans, approve investment proposals, and resolve component implementation problems. Advisory boards will be convened on an annual basis, while the executive committees will meet quarterly. Additional meetings may be scheduled on an as-needed basis.

The membership of the Advisory Board for the ABC Component will consist of the Secretary of the Ministry of non-conventional Energy Sources (MNES), who will serve as chair; the Director of **USAID/India**; Director of MNES (Power Group); the General Manager of the **technology** department of IDBI, who will serve as member secretary; the Executive Director of IDBI; and one representative each from the Ministry of Finance/Department of Economic Affairs, the Sugar **Mills** Association, and an independent organization active in energy issues. The membership of the Advisory Board for the ECC component will consist of the chairman of NTPC, who will **serve** as chair; the director of **USAID/India**; the Joint Secretary of the Ministry of Power; the General Manager of the Technology Department of IDBI; and one representative each from the Ministry of Finance/Department of Economic Affairs, a major apex industry association related to the power sector, and an independent organization active in energy issues. These last **two** representatives will be mutually agreed upon by **USAID** and NTPC.

The Executive Committee members for the ABC Component Will be the Executive Director in charge of the IDBI Technology Department, who will serve as chair; the General Manager of the IDBI Technology Department, who will serve as member secretary; the Director of the MNES (Power Group); Managing Director of

IREDA or his senior representative; and a USAID representative, The Executive Committee members for the ECC Component will consist of the Director of NTPC/CenPEEP, the Director of the IDBI Technology Department, a USAID/India representative, and one additional representative related to the power sector to be mutually agreed upon by USAID and NTPC.

## 6. Project Implementation

The project will be implemented through four mechanisms: (a) an initial start-up activities budget, funded directly by USAID under appropriate mechanisms to be selected by USAID until the implementation contracts are in place; (b) two direct institutional contracts; (c) two Memoranda of Understanding (MOUs) with the Indian implementing agencies; and (d) one Participating Agency Service Agreement with a U.S. federal agency.

The details of the implementation mechanisms are discussed below.

### a) Start-Up Activities

An illustrative list of start-up activities is provided below:

- 1) Establishment of initial implementation plans for project work with counterpart agencies; these plans will cover objectives and targets for project work, staffing, evaluation mechanisms, establishment of liaison bodies within and between the involved organizations, and establishment of linkages to other relevant project activities:
- 2) Development of a detailed framework for monitoring and evaluation of project progress and achievement of results; development of terms of reference and procurement of services for monitoring and evaluation services over the life of the **project**; determination of parameters and collection of baseline data needed for monitoring and evaluation:
- 3) Development of terms of reference and procurement of **services** to support technical assistance and training for the ABC and ECC components;
- 4) Development of terms of reference, procurement and execution of any additional short-term research required to study the factors important to the success of the demonstration projects funded under the investment subcomponents of the ABC and ECC components;

5) Establishment of working relationships with multilateral financing agencies and other donors working on related environmental and energy efforts in India;

6) **Hiring/secondment** of necessary staff by Indian counterpart agencies.

b) Direct Institutional Contracts

Two institutional contracts or other mechanisms will be issued for the life of the project. Any contract will be awarded following full and open competition. One contract or mechanism will be to supply services for the TAT activities under the ABC Component. The other contract or mechanism will be mutually agreed to in the future.

c) Memoranda of Understanding (**MOUs**) with the Indian Implementing Agencies

Two **MOUs**, satisfactory to **USAID**, will be signed, one each for IDBI and NTPC defining the roles and responsibilities of each of these two institutions in implementation of the GEEP Project. These **institutions** will be the counterpart implementing agencies. IDBI will provide administrative and office support for the investment subcomponents for both ABC and ECC and the ABC TAT subcomponent to work with the institutional contractor to organize, manage, and staff all ABC TAT activities. IDBI will be provided a management fee from the project. NTPC will provide all support for the ECC TAT subcomponent,

d) Participating Agency Service Agreement

When requested by NTPC, a Participating Agency Service Agreement (PASA) will be negotiated between **USAID** and the Pittsburgh Energy Technology Center (PETC) of the U.S. Department of Energy (**USDOE**). PETC will provide one long term technical advisor and other short term technical **assistance** and training. The long term advisor will be responsible for: designing and directing research projects under the TAT category of the ECC component; transfer of skills in research planning, implementation, and evaluation; and management of other **USDOE** support to NTPC.

7. Monitoring and Evaluation (M&E)

The monitoring and evaluation component will be planned and implemented at a later date, based on mutual agreement between **USAID** and concerned implementing agencies for each component.

8. Project Funding and Illustrative Budget

GREENHOUSE GAS EMISSIONS FROM  
ILLUSTRATIVE SUMMARY OF PROJECT COSTS  
(IN THOUSANDS OF U.S. DOLLARS)

S.No.	Project Element	Initial Obligation				Planned Life of Project Obligation			
		HCC		Project		HCC		Project	
		USAID	FX	LC	Total	USAID	FX	LC	Total
I.	Investments	0	0	5,000	37,028	0	0	8,000	59,246
	a. ABC	0	0	0	0	0	0	2,500	18,514
	b. ECC	0	0	0	0	0	0	0	0
II.	Technical Assistance	140	34	174	174	140	34	174	174
	a. Start-up activities	1,122	0	1,122	1,301	1,301	0	1,301	1,301
	b. Long term technical advisers (US and Indian)	1,495	290	1,785	2,520	793	3,313	0	3,313
III.	Training	0	81	81	0	65	275	340	0
	a. Local Training	0	81	81	0	81	0	0	0
	b. US Training	143	0	143	522	522	0	65	587
IV.	Project Implementation	0	105	105	0	225	225	0	225
	V. Evaluation	45	30	75	145	55	200	0	200
	VI. Audit	0	50	50	0	150	0	0	150
	VII. Administrative and Other	0	175	175	5,644	300	300	9,675	9,975
	VIII. Contingency/Inflation	20	490	515	0	1,424	1,894	0	1,894
TOTAL		2,965	6,535	9,500	42,720	5,163	13,837	19,000	87,530

ILLUSTRATIVE LC BUDGET FOR NTPC IICC

IN MILLION RS

DESCRIPTION	Acct. Code	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	Total
<b>A. EQUIPMENT</b>									
Capital cost of equpt	New	10.00	15.00	15.00	15.00	15.00	15.00	15.00	100.00
Machine Hrs Cost	New	5.00	8.00	5.00	5.00	5.00	5.00	5.00	38.00
<b>B. ADMINISTRATIVE COSTS</b>									
Rentals of premises	New	0.12	0.12	0.13	0.15	0.17	0.18	0.20	1.07
Inland Travel	New	0.05	0.08	0.10	0.12	0.14	0.18	0.20	0.87
Foreign Travel	New	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.35
Conveyance	New	0.02	0.03	0.04	0.05	0.06	0.07	0.08	0.35
Print'g & Station'y	New	0.03	0.03	0.03	0.01	0.01	0.01	0.01	0.13
Computer Hire, St'a	New	0.15	0.15	0.15	0.15	0.30	0.30	0.30	1.50
Entertainment	New	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.12
Books & Periodicals	New	0.06	0.07	0.07	0.08	0.08	0.09	0.09	0.54
Consumables	New	0.02	0.02	0.02	0.03	0.03	0.03	0.03	0.18
Seminars & Workshops	New	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.35
Repair & Maint.	New	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.14
Insurance	New	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21
Miscellaneous	New	0.12	0.12	0.15	0.15	0.15	0.20	0.20	1.09
<b>C. SALARIES/MANDAYS</b>									
For Direct Staff	New	2.00	3.00	4.00	5.00	6.00	8.00	10.00	38.00
For CC & Stn Experts	New	1.00	1.50	2.00	2.50	3.00	4.00	5.00	19.00
For R&D Experts	New	4.50	8.00	10.00	15.00	18.00	20.00	25.00	100.50
<b>YEARLY TOTAL</b>		<b>23.23</b>	<b>36.28</b>	<b>36.86</b>	<b>43.41</b>	<b>48.11</b>	<b>53.23</b>	<b>61.28</b>	<b>302.40</b>
<b>IN \$000</b>		<b>743</b>	<b>1161</b>	<b>1180</b>	<b>1389</b>	<b>1539</b>	<b>1703</b>	<b>1960</b>	<b>9675</b>

NOTE: EXCHANGE RATE IS ASSUMED TO BE U.S. \$1 = Rs. 31.25

B:\NTPCTAB

## ANNEX 2

### Project Grant Standard Provisions n e x

Definitions! As used in this Annex, the "Agreement" refers to the Project Grant Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

#### Article A: Project Implementation Letters

To assist Grantee in the implementation of the Project, **USAID**, from time to time, will issue Project Implementation Letters that **will** furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex 1.

#### Article B: General Covenants

SECTION B.1. Consultation. The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the Project, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged on the Project, and other **matters** relating to the Project.

SECTION B.2 Execution of Project. The Grantee will:

(a) carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, approved by **USAID** pursuant to this Agreement; and

(b) provide qualified and experienced management for, and train such staff as **may** be appropriate for the maintenance and operation of the Project, and, as applicable for continuing **activities**, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project,

### SECTION B.3. Utilization of Goods and Services.

(a) Any resources financed under the Grant, unless otherwise agreed in writing by USAID, will be devoted to the project until the completion or termination of the project, and thereafter (as well as during any period of suspension of the project) will be used so as to further the objectives sought in carrying out the project.

(b) Goods or services financed under the Grant, except as USAID may otherwise agree in writing, will **not** be used to promote or assist a foreign aid Project or activity associated with or financed by a country not included in Code 935 of the USAID Geographic Code Book as in effect at the time of such use.

### SECTION B.4 Taxation.

(a) This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the territory of the Grantee.

(b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Grant, and any property or transaction relating to such contracts and (2) any commodity procurement transaction financed under the Grant, are not exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in the territory of the Grantee, the Grantee will, as and to the extent provided in and pursuant to Project Implementation Letters, pay or reimburse the same with funds other than those provided under the Grant.

### SECTION B.5 Reports, Accounting Records, Audits, Inspections.

(a) The Grantee shall furnish USAID such information and reports relating to the Project and to this Agreement as USAID may reasonably request.

(b) The Grantee shall maintain accounting books, records, documents, and other evidence relating to the Project and to this Agreement, adequate to show, without limitation, all costs incurred under the Grant, the receipt and use of goods and services acquired under the Grant, the costs of the Project supplied from other sources, the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion ("Project Books and Records"). At the Grantee's option, with approval by USAID, Project Books and Records shall be maintained in accordance with one of the following methods: (I) generally accepted accounting



principles prevailing in the United States, (2) generally accepted accounting principles prevailing in the country of the Grantee, (3) accounting principles prescribed by the international accounting standards committee (an affiliate of the International Federation of Accountants), or (4) such other **accounting** principles as the parties may agree to **in writing**. **Project** Books and Records shall be maintained for at least three years after the date of last disbursement by **USAID**

(c) If US \$25,000 or more is disbursed directly to the Grantee in any one calendar year under the Grant, the Grantee, except as the parties may otherwise agree in writing, shall have financial audits made of the funds disbursed to the Grantee under the Grant in accordance with the following terms:

- (1) The Grantee shall select an independent auditor in accordance with the "Guidelines for Financial Audits contracted by Foreign Recipients" issued by the **USAID** Inspector General ("Guidelines"), and the audits shall be performed in accordance with the "Guidelines".
- (2) An audit of the funds **provided** under the Grant shall be conducted for each fiscal year of the Grantee. The audit shall determine whether the receipt and expenditure of the funds provided under the Grant are presented in accordance with generally accepted accounting principles agreed to in Section (b) above and whether the Grantee has complied with the terms of the Agreement. Each audit shall be completed no later than one year after the close of the Grantee's fiscal year.

(d) The Grantee shall submit an audit report to **USAID** within 30 days after completion of each audit arranged for by the Grantee in accordance with this Section. The **USAID** Inspector General will review each report to determine whether it complies with the audit requirements of this Agreement. Subject to **USAID** approval, costs of audits performed in accordance with the terms of this **Section** may be charged to the Grant. In cases of continued inability or unwillingness to have an audit performed in accordance with the terms of this Section, **USAID** will consider appropriate sanctions which include suspension of all or a portion of disbursements until the audit **is** satisfactorily completed or **USAID** performs its own audit.

(e) The Grantee shall submit to **USAID**, in form and substance satisfactory to **IJSAID**, a plan by which the Grantee will ensure that funds made available to subrecipients that receive US \$25,000 or more in any one calendar year under the Grant are audited in accordance with this Agreement. The plan should

describe the methodology to be used by the Grantee to satisfy its audit responsibilities with respect to any subrecipient to which this Section applies. Such audit responsibilities with respect to subrecipients may be satisfied by relying on independent audits of the subrecipients or on appropriate procedures performed by the internal audit or program staff of the Grantee, by expanding the scope of the independent financial audit of the Grantee to encompass testing of subrecipients' accounts, or by a combination of these procedures. The plan should identify the funds made available to subrecipients that will be covered by audits conducted in accordance with other audit provisions that would satisfy the Grantee's audit responsibilities (a nonprofit organization organized in the United States is required to arrange for its own audits; a for-profit contractor organized in the United States that has a direct contract with USAID is audited by the cognizant U.S. Government Agency; a private voluntary organization organized outside the United States with a direct Grant from USAID is required to arrange for its own audits; and a host-country contractor should be audited by the cognizant Grantee Contracting Agency). The Grantee shall ensure that appropriate corrective actions are taken on the recommendations contained in the subrecipients' audit reports; consider whether subrecipients' audits necessitate adjustment of its own records; and require each subrecipient to permit independent auditors to have access to records and financial statements as necessary.

(f) USAID may, at its discretion, perform the audits required Under this Agreement on behalf of the Grantee by utilizing funds under the Grant or other resources available to USAID for this purpose. The Grantee shall afford authorized representatives of USAID the opportunity at all reasonable times to audit or inspect the Project, the utilization of goods and services financed by USAID, and books, records and other documents relating to the Project and the Grant.

SECTION B.6 Completeness of Information. The Grantee confirms:

(a) that the facts and circumstances of which it has informed USAID, or cause USAID to be informed, in the course of reaching Agreement with USAID on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities Under this Agreement;

(b) that it will inform USAID in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Project or the discharge of responsibilities under this Agreement,

SECTION B.7 Other Payments. Grantee affirms that no

payments have been or will be received by any official of the Grantee **in connection** with the procurement of goods or services financed **under the Grant**, except **fees, taxes**, or similar payments legally established in the country of the Grantee.

SECTION B.8 Information and Marking. The Grantee will give appropriate publicity to the Grant and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed by **USAID**, as described in Project Implementation Letters.

SECTION B.9 Prohibited Use of Funds:

No funds or other support provided hereunder may be used in a project or activity reasonably likely to involve the relocation or expansion outside of the United States of an enterprise located in the United States if non-U.S. production **in** such relocation or expansion **replaces** some or all of the production **of**, and reduces the number of employees at, said enterprise in the United States.

Article C: Procurement Provisions

SECTION C.1. Special e s,

(a) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's **country** of registry at the time of shipment.

(b) Premiums for marine insurance placed in the territory of the Grantee will be deemed an eligible Foreign Exchange Cost, if otherwise eligible under Section C.7 (a),

(c) Any motor vehicles financed under the Grant will be of United States manufacture, except, as **USAID** may otherwise agree in Writing.

(d) Transportation by air, financed under the Grant, of property or persons, will be on carriers holding United States certification, to the extent service by such carriers is available. Details on this requirement will be described in a Project Implementation Letter.

SECTION C.2 Eligibility Date. No goods or services may be financed under the Grant which are procured pursuant to orders or contracts, firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

SECTION C.3 Plans, Specifications, and Contracts. In order for there to be mutual Agreement on the following matters,

and except as the Parties may otherwise agree in writing:

(a) The Grantee will furnish to USAID upon preparation,

(1) any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Grant, including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished USAID on preparation;

(2) such documentation will also be furnished to USAID, upon preparation, relating to any goods or services, which, though not financed under the Grant, are deemed by USAID to be of major importance to the Project. Aspects of the Project involving matters under this subsection (a)(2) will be identified in Project Implementation Letters;

(b) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Grant will be approved by USAID in writing prior to their issuance, and their terms will include United States standards and measurements;

(c) Contracts and contractors financed under the Grant for engineering and other professional services, for construction services, and for such other services, equipment **or** materials as may be specified in Project Implementation Letters, will be approved by USAID in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by USAID prior to execution; and

(d) Consulting firms used by the Grantee for the Project but not financed under the Grant, the scope of their services and such of their personnel assigned to the Project as USAID may specify, and construction contractors used by the Grantee for the Project but not financed under the Grant, Shall be acceptable to USAID.

SECTION C.4 Reasonable Price No more than reasonable prices will be paid for any goods or **services** financed, in whole or in part, under the Grant. Such items will be produced on a fair and, to the maximum extent practicable, on a competitive basis.

SECTION C.5 Notification to Potential Suppliers. TO permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Grant, the Grantee will furnish USAID such information with regard thereto, and at such times, as USAID may request in Project Implementation Letters.

SECTION C.6 Shipping.

(a) Goods which are to be transported to the territory of the Grantee may not be financed under the Grant if transported either: (1) on an ocean vessel or aircraft under the flag of a country which is not included in **USAID** Geographic Code 935 as in

effect at the time of shipment, or (2) on an ocean vessel which **USAID**, by written notice to the Grantee has designated as ineligible; or (3) under an ocean or air charter which has not received prior **USAID** approval.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Grant, if such goods or persons are carried: (1) on an ocean vessel under the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source: Foreign Exchange Costs," without prior written **USAID** approval or on a non-U.S. flag air carrier if a U.S. flag carrier is available (in accordance with criteria which may be contained in Project Implementation Letters) without prior written **USAID** approval or (2) on an ocean vessel which **USAID**, by written notice to the Grantee, has designated as ineligible; or (3) under an ocean vessel or air charter which has not received prior **USAID** approval.

(c) Unless **USAID** determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, (1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by **USAID** which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels, and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by **USAID** and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this sub-Section must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

SECTION C.7. Insurance.

(a) Marine insurance on goods financed by **USAID** which are to be transported to the territory of the Grantee may be financed as a Foreign Exchange Cost under this Agreement provided (1) such insurance is placed at the lowest available competitive rate, and (2) claims thereunder are payable in U.S. dollars or, as **USAID** may agree in writing, in the currency in which such goods were financed or in any freely convertible currency. If the Grantee

(or government of Grantee), by statute, decree, rule, regulation, or practice discriminates with respect to USAID-financed procurement against ~~any~~ marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Grantee financed by **USAID** hereunder will be insured ~~against~~ marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

(b) Except as **USAID** may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Grant imported for the Project against risks incident to their transit to the point of their use in the Project; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Grantee under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacements will be of source and origin of countries listed in **USAID** Geographic Code 935 as in effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

SECTION C.8. U.S. Government-Owned Excess Property. The Grantee agrees that wherever practicable, United States Government-owned excess personal property, in lieu of new items financed under the Grant, should be utilized. Funds under the Grant may be used to finance the costs of obtaining such property for the Project.

Article D: Termination: Remedies.

#### SECTION D.1 Termination.

(A) Either Party may terminate this Agreement by giving the other Party 30 days written notice. Termination of this Agreement will terminate any obligations of the Parties to provide financial or other resources to the Project pursuant to this Agreement, except for payment which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of this Agreement'. In addition, upon such termination **USAID** may, at **USAID** expense, direct that title to goods financed under the Grant be transferred to **USAID** if the goods are from a source outside Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of Grantee's country.

#### SECTION D.2. Refunds.

(a) In the case of any disbursement which is not supported by valid documentation in accordance with this

Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, USAID, notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such disbursement in U.S. Dollars to USAID within sixty (60) days after receipt of a request therefor.

(b) If the failure of Grantee to comply with any of its obligations under this Agreement has the result that goods or services financed under the Grant are not used effectively in accordance with this Agreement, USAID may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement for such goods or services in U.S. Dollars to USAID within sixty days after receipt of a request therefor.

(c) The right under subsection (a) or (b) to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

(d) (1) Any refund under subsection (a) or (b), or (2) any refund to USAID from a contractor, supplier, bank or other third party with respect to goods or services financed under the Grant, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for the cost of goods and services required for the Project, to the extent justified, and (B) the remainder, if any, will be applied to reduce the amount of the Grant.

(e) Any interest or other earnings on Grant funds disbursed by USAID to the Grantee under this Agreement prior to the authorized use of such funds for the Project will be returned to USAID in U.S. Dollars by the Grantee.

SECTION D.3. Nonwaiver of Remedies. No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

SECTION D.4. Assignment. The Grantee agrees, upon request, to execute an assignment to USAID of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. Dollar contract with USAID financed in whole or in part out of funds Granted by USAID under this Agreement.

USAID GEOGRAPHIC CODES

CODE      AREA AND COUNTRY

000      UNITED STATES

899      FREE WORLD

Any area or country in the Free World\* excluding the cooperating country itself.

935      SPECIAL FREE WORLD

Any area or country in the Free World\* including the cooperating country itself.

941\*\*      SELECTED FREE WORLD

Any independent country in the Free World\*, excluding the cooperative country itself and the following:

<u>Europe</u>		<u>other</u>	
Albania	Lithuania	Angola	Kyrgyzstan
Andorra	Luxembourg	Australia	Mongolia
Armenia	Malta	Bahamas	New Zealand
Austria	Moldova	Bahrain	Qatar
Azerbaijan	Monaco	Canada	Saudi Arabia
Belarus	Netherlands	Cyprus	Singapore
Belgium	Norway	Gabon	South Africa
Bulgaria	Poland	Greece	Taiwan
Czechoslovakia	Portugal	Hong Kong	Tajikistan
Denmark	Romania	Iceland	Turkmenistan
Estonia	Russia	Japan	United Arab
Finland	San Marino	Kazakhstan	Emirates
France.	Spain	Kuwait	Uzbekistan
Georgia	Sweden		
Germany	Switzerland		
Hungary	Ukraine		
Ireland	United Kingdom		
Italy	Vatican City		
Latvia	Yugoslavia		
Liechtenstein			

\*"Free World" excludes the following areas or countries:

Afghanistan, Cambodia, Cuba, Iran, **Iraq**, Laos, Libya, North Korea, People's Republic of China, Syria, and Vietnam.

\*\* Revised



## C. **Strategic Objective 4: Increased Environmental Protection in Energy, Industry, & Cities**

**Summary:** India is the sixth largest and second fastest growing producer of greenhouse gas (GHG) in the world. Electric power generation is the major source of GHG emissions in India, accounting for 48% (or 71 million tons) of India's carbon emissions from fossil fuels. With growth in India's population, the demand for electric power also increases. Population growth coupled with lack of gainful employment in rural areas have resulted in rapid growth in India's urban population, placing tremendous strain on urban environmental infrastructure, including water supply, sanitation, and sewerage systems. Close to 40% of the urban population live in slums and squatter settlements without any significant access to these basic services, causing severe health problems to the most vulnerable groups. This SO aims to reduce GHG emissions by increasing efficiency and reducing pollution in the electric power and industrial sectors, and improving delivery of basic services through improved urban environmental **planning** and infrastructure.

Performance during FY-98 exceeded expectations in spite of the sanctions-related suspension of new program **funds**. Indicators for two **IRs** surpassed expected results; the indicator for the third **IR** is close to achieving its planned target. Based on these results, the SO is expected to contribute to a reduction in GHG emissions and improvement in delivery of basic services.

**Key Results:** In the **energy sector**, 1.09 million tons of CO<sub>2</sub> avoided were achieved against a target of 0.63 million tons, mainly from efficiency gains at the National Thermal Power Corporation's (NTPC) coal-fired power plants. **USAID** assistance in the development of a cadre of skilled professionals at NTPC's Center for Power Efficiency and Environmental Protection contributed significantly to the result. Consequently, State Electricity Boards (Gujarat and Maharashtra) have requested **USAID** assistance to establish similar centers of excellence in power plant efficiency. Electricity Regulatory Commissions were also created at the federal and state levels through legislation. **USAID** provided important technical assistance (TA) to help draft the legislations as well as establish the Commissions. **In the environment management sector**, the Federation of Indian Chambers of Commerce and Industry (FICCI) established an internet-based clearinghouse for Indo-U.S. collaboration on clean technology, GHG reduction and certified environmental management systems. Also, during this period, nine **firms** in three industrial sectors initiated procedures for ISO 14000 certification. **In the urban sector**, South Asia's first water and sanitation project designed on a Build-Own-Operate-Transfer basis, in Tiruppur, Tamil Nadu has reached contract negotiation stage using international competitive bidding standards. A public-private corporate entity manages this project, an innovation for the sector. **USAID** assistance made available to three cities environmental status reports. Such tools provide municipal managers the opportunity to refine environmental management priorities, mitigate environmental risks, and develop sustainable sewerage and potable water systems.

**Performance and Prospects:** **USAID** significantly contributed to **increased energy efficiency and decreased GHG pollution in energy supply and use**. Independent regulation is essential for overall power sector efficiency. **USAID** TA helped draft key legislation for the Indian power

sector including the Electricity Regulatory Commission Act, Energy Conservation Act, and Private Participation in Transmission Act. The Electricity Regulatory Commission Act created the Central Electricity Regulatory Commission (CERC). Six state commissions are now being formed. **USAID** TA helped to establish the CERC as well as the Haryana and Punjab State Electricity Regulatory Commissions. The partnership program between Indian and U.S. utilities and regulatory agencies also yielded significant results including improved generation efficiency and **flyash** utilization, reduction of distribution losses and upgrading of maintenance management information systems. The partnerships have now **begun** to spin-off sales of goods and services by the U.S. utilities. In the past year, hundreds of key power-sector partners were trained in regulatory reform and restructuring contributing to the trend toward private power generation, which now totals 22,000 MW. In Haryana, **USAID** TA and training plays an important complementary role to the much larger World Bank (WB \$600 million loan) and British Department for International Development (**DFID** \$24 million grant) programs. Demand Side Management (**DSM**) projects, designed with **USAID** support, will now be funded from the \$45 million DSM component of the World Bank loan.

In renewable energy, **USAID** assistance resulted in the installation of nearly 200 MW of capacity **fuelled** by bagasse, including India's only sugar cogeneration facility to provide electric power with zero net GHG emissions by operating year-round on only biomass fuels. **USAID** assistance also resulted in commercial sales of domestic lighting for 2,500 rural households using solar photovoltaic technology. The **USAID-G/ENV/EET** Electric Vehicles (**EV**) program fostered an agreement to produce prototype scooters and three-wheel autorickshaw **EVs** by U.S. and Indian firms to reduce air pollution. **USAID** support for development of India's first electric car **culminated** in a joint venture to produce vehicles commercially within one year.

**USAID** is promoting certified environmental management systems and helping Indian firms incorporate best practices into their operations to **reduce pollution per unit of output in key industrial sectors**. Systems such as ISO 14000 result in both process and energy efficiency. Prior to sanctions-related suspension, **USAID** introduced ISO 14000 standards and practices to nine industrial **units** in the textile, paper and automobile sectors. The suspension led **USAID** to reorient the environmental portfolio to focus more on reducing GHG in energy intensive industries such as steel, thermal power, and cement. Agreements have been reached to assist the Steel Authority of India (the largest steel maker in Asia) and NTPC (which provides 25% of India's electric power) to achieve ISO 14000 certification. **USAID** is supporting the creation of four regional "synergy" centers to strengthen India's environmental/industrial extension system by providing low-cost access to **FICCI's** internet-based services. **FICCI** will also promote awareness and outreach on GCC issues in concert with **USAID** and local partners.

**USAID's** achievements in **improved urban environmental infrastructure are well** recognized. Forty percent of the construction of water supply and sewerage work, financed by the Ahmedabad Municipal Corporation (AMC) municipal bond issue is underway. Basic water supply and sanitation services will be available to 14,000 people in 12 slums by June 1999. **USAID's** \$25 million Urban and Environmental **Credit** loan guaranty for the \$100 million investment program, financed by the bond issue, was an important "confidence builder" for

AMC. In Tiruppur, Tamil Nadu, India's first public-private partnership project in water supply and sanitation is nearing financial closure. An international consortium was selected in December 1997 to build and operate the \$250 million system. Pune, in Maharashtra state, issued an RFP for a \$185 million water supply and sewerage project, which includes private operation and maintenance of new treatment plants and expansion of services to poor neighborhoods. Kohlapur, Maharashtra floated an RFP for a privatized solid waste management system for poor areas of the city. In FY-99, USAID will emphasize state government policy reforms and infrastructure funds to support wider replication of the basic water and sanitation models being demonstrated in selected cities. A USAID grant will also enable the Self-Employed Women's Association (SEWA), a successful micro-finance institution in Ahmedabad, to explore community-based partnerships for urban environmental infrastructure improvements.

**Possible Adjustments to Plans:** Sanctions-related policy had a significant impact on the USAID/India Environment program (S04). Two new sets of GHG program activities, scheduled to be launched in FY-98 were put on hold. Also, resources were re-focused to reduce GHG emissions in energy intensive industrial sectors and to improve access by the urban poor to basic environmental infrastructure services. With the lifting of the suspension on new funding, the SO team is ready to move ahead with: a new \$25 million Energy Conservation and Commercialization activity; and a \$20 million expansion of the Greenhouse Gas Pollution Prevention activity. Due to the post-sanctions program realignment which focuses on the urban poor, the Mission will revise the SO Indicator 4.3 targets and report on performance using new targets next year. The availability of loan funds from the Urban and Environmental (UE) Guaranty Program has been instrumental in encouraging local governments to innovate. If UE guaranty authority is limited or unavailable in FY-00 and FY-01, USAID's ability to enlist more innovative demonstration projects will be seriously constrained.

**Other Donor Programs:** USAID works closely with the WB, DFID and the Asian Development Bank (ADB) on power sector reform and restructuring, DSM and urban environmental management. Negotiations for a \$105 million WB loan augmenting the resources of the Tamil Nadu Urban Development Fund are in the final stages. USAID will coordinate its TA in Tamil Nadu with the WB to strengthen local government's management of basic water and sanitation services and their ability to extend services to poor neighborhoods. USAID has also worked closely with the WB and the ADB in the design of new urban environmental infrastructure programs in Karnataka and Gujarat.

**Principal Contractors, Grantees or Agencies:** International Resources Group, Federal Energy Technology Center - U.S. Department of Energy, Winrock International, Institute of International Education, Alliance to Save Energy, United States Energy Association, Hagler Bailly Services, Inc. and Community Consultants Inc. Indian partners include: Ministry of Power, Central and State Electricity Regulatory Commissions, State and private sector power utilities, Ministry of Environment and Forests, Power Finance Corporation, Industrial Development Bank of India, ICICI Ltd., NTPC, Confederation of Indian Industry (CII), FICCI, National Institute of Urban Affairs, Housing and Urban Development Corporation, and Infrastructure Leasing and Financial Services.

Performance Data Table

<b>OBJECTIVE:</b> SO4 Increased Environmental Protection in Energy, Industry and Cities			
<b>APPROVED:</b> 09/07/1 997 <b>COUNTRY/ORGANIZATION:</b> USAID/India			
<b>RESULT NAME:</b> SO4 Increased Environmental Protection in Energy, Industry and Cities			
<b>INDICATOR:</b> 4.1 Carbon dioxide equivalents of greenhouse gas (GHG) emissions avoided			
<b>UNIT OF MEASURE:</b>  In Million Tons (cumulative)	YEAR	PLANNED	ACTUAL
	1997		0.02
<b>SOURCE:</b> Center for Monitoring Indian Economy (CMIE) report, Project Reports, NTPC reports.	1998	0.63	1.09
	1999	1.93	
	2000	5.29	
	2001	8.52	
	2002	11.89	
<b>INDICATOR/DESCRIPTION:</b> Emissions of carbon dioxide equivalents <b>avoided</b> are calculated by converting MW hour of coal-fired energy saved or avoided through 304 activities (such as biomass cogeneration , <b>enhanced</b> energy efficiencies – in both supply side and demand side activities – and clean coal technologies). Data includes information on projects which receive <b>USAID</b> support directly.			
<b>COMMENTS:</b> Data reported for GO1 fiscal year: April 1 to March 3 1. Other greenhouse gas emissions such as methane or nitrous oxides will be converted to carbon dioxide equivalents.  <b>Targets</b> have been revised following Environment Team review and decision to delete achievements accruing from activities that do not have major or direct <b>USAID</b> funding.			

Performance Data Table

<b>OBJECTIVE:</b> SO4 Increased Environmental Protection in Energy, Industry and Cities			
APPROVED: 09/07/1997      COUNTRY/ORGANIZATION: <b>USAID/India</b>			
<b>RESULT</b> NAME: SO4 Increased Environmental Protection in Energy, Industry and Cities			
INDICATOR: 4.2 Increased number of <b>firms</b> that meet international environmental quality standards in selected industrial sectors.			
UNIT OF MEASURE:  Number of firms (cumulative)	YEAR	PLANNED	ACTUAL
	1997		
SOURCE:   Reports of Industry Associations, Bureau of Indian Standards (BIS), Quality Council of India ( <b>QCI</b> )	1998	0	
	1999	10	*
	2000	15	
	2001	20	
INDICATOR/DESCRIPTION: International environmental quality standard is defined as ISO 14000 certification. Number of <b>firms</b> who, with assistance from the Clean Technology Initiative ( <b>CTI</b> ), obtained ISO 14000 certification in the following sectors: textiles, pulp & paper, pharmaceutical, automobiles, thermal power, steel and cement. Results shown are cumulative.	2002	25	
COMMENTS: Data reported for GO1 fiscal year: April 1 to March 31. * Presently nine firms are in the process of achieving ISO 14000 certification.			

Performance Data Table

<b>OBJECTIVE:</b> SO4 Increased Environmental Protection in Energy, Industry and Cities			
<b>APPROVED:</b> 09/07/1997 <b>COUNTRY/ORGANIZATION:</b> USAID/India			
<b>RESULT NAME:</b> IR 4.3 Improved urban environmental <b>infrastructure</b> built and services delivered in selected cities			
<b>INDICATOR:</b> 4.3.1Local Government/Authorities with urban environmental management tools available to them			
<b>UNIT OF MEASURE:</b>  Number of local governments/authorities which have one or more of the urban <b>environmental</b> management tools. (cumulative)	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995		1
	1996	2	2
<b>SOURCE:</b> Surveys, annual evaluation, sector assessment by municipalities, project working reports, study reports, HUDCO, ILFS, NIUA, NGOs & USAID	1997	4	4
	1998	6	7
	1999	8	
	2000	10	
<b>INDICATOR/DESCRIPTION:</b> 1) Urban environmental management tools are: Environmental status reports/maps/workbooks, comparative environmental risk assessments, environmental management action plans, city corporate plans, and city <b>infrastructure</b> priorities studies. 2) “Authorities” include state and city level water supply and sewerage boards. 3) These urban environmental management tools have been developed with active collaboration of the concerned local government/authorities.	2003	16	
<b>COMMENTS:</b> Data reported is up to Sept. '98.			

## 1.0 Introduction

This document presents the third Progress report for the USAID/India-funded Climate Change Outreach and Awareness Activity. The report covers a 4 and a half -months period, from 01 June 1999 to October 15, 1999. The report gives a description of activities executed in the second phase of the Project covering four and a half months and a general description of planned activities for the next immediate months.

## 1.1 Background

The Climate Change Outreach and Awareness (CCOA) Activity which seek to increase the level of awareness, understanding and institutional capacity within key Indian institutions and sectors has entered its second phase with industry more aware and interested. The second phase is concurrently focussed on the project development for the climate change mitigation as well as analysis of some of the key policy issue mainly by the local CCOA partner organizations to help the government of India with some diligent analysis. The Government of India is now not averse to looking into the possible utilization of the climate friendly mechanisms, particularly the CDM, which reduces greenhouse gases, and simultaneously helps in the sustainable development of the country.

## 1.2 Signing of Sub Contracts

The CCOA project has identified three main institutions to work with: CII, a national level industry trade group; Development Alternatives (DA), a Delhi based non-governmental organization; and IIM-A, one of India's premier management education institutions. In addition the team identified two other players: Federation of Indian Chambers of Commerce and Industry (FICCI), another trade association representing a number of local and regional chambers of commerce and the Credit Rating and Information Services of India Limited (CRISIL) for specific purposes. Additional support to the Tata Energy Research Institute (TERI) was also provided in order to support two Senior Visiting Research Fellows currently resident at TERI and working in the area of climate change, the Hon. Katie McGinty and Dr. Karl Hausker.

CII will serve as the nodal organization on climate change, and is now designated the *GCC Information Center*. As stakeholder interest grows, CII could develop itself into the full-fledged climate change facilitation center as envisaged under the contract- Scope of Work.

The choice of CII as the prime institution for capacity building under the CCOA is in line with our approach that the activity for GHG reduction is expected to be primarily industry focussed.

Hagler Bailly has initiated separate subcontracts with all of these organizations and the subcontracts with CRISIL & FICCI were signed during the period. With this the process of the signing of the subcontract with the partner Organisations has been completed. These institutions have also submitted their own workplan in conjunction with the overall activities envisaged under the project. The workplan of CRISIL is attached as Appendix A. Also attached is the revised **workplan** and work schedule of DA as Appendix B.

## 2.0 Activities

Activities under the CCOA include some of the specific events organized as well as some other activities related to the capacity building and outreach program.

### 2.1 Events

4 major events and 4 related activities were organized during the period covered in the report in India.

#### 2.1.1 Roundtable on “Operationalizing GHG Projects and Partnerships “

The second round table on the above topic was held at the Taj Hotel in Mumbai on the 12th of July, 99. The IIMA and CII jointly hosted the event. . The event was well attended with over 75 participants of which 2/3 was the industry representative who participated very actively in the debate. It was a transition from the first Round Table where the outreach component was more prominent and this Round Table looked into the operational aspects of the GHG mitigation projects in India, it discussed some actual projects which can be potential CDM or GHG mitigation projects. The agenda of the round table, executive summary, list of attendees and presentations by various speakers are attached as Appendices C, C\*, D and E.

#### 2.1.2. Workshop with GOI Officials

Development Alternatives organized a one-day long on August 2, meeting with the GOI Officials to brief them on the GCCOA Project. The objective of the workshop was to make various ministries of the Government of India aware about the CCOA , the role of various partner Organisations and the services the CCOA can offer to these ministries. The agenda, executive summary of the events, attendees’ list and presentations by various speakers is attached as Appendices F, G, H and I.

#### 2.1.3. Project Update Presentation at USAID

CCOA update given to USAID by Hagler Bailly on 16<sup>th</sup> August 1999 which was the half way mark of this activity. The presentation made by Arun Kumar to USAID is attached as Appendix J, for reference.

#### 2.1.4 International Training Program

A two weeks international training program on “Monitoring, evaluation, verification, and certification of greenhouse gas emissions”: Energy sector Module, at Lawrence Berkeley National Laboratory, USA was attended by two persons from CII. Though this training was not funded by the CCOA and was supported by the global bureau of USAID it is a useful supplement to the Climate Change Center at CII. The course schedule is attached as Appendix K.

#### 2.1.5 Pilot Project Development Program

The CCOA incorporated amongst its activities “Project Development Pilot Program”(PDPP) to solicit the industry interest and take advantage of the existing funds world wide for getting some of the GHG mitigation projects funded in India. The PDPP is expected to achieve two objectives, firstly, get some



of the GHG mitigation projects off the ground and secondly, get some of the conceptual issues related to CDM fine tuned. The PDPP Concept note is given in the Appendix L.

#### 2.1.6 Climate Friendly Project Development Workshop in Chennai

In pursuance of the PDPP a two-day workshop in Chennai was organised by the CII, it was focussed on the project development and it discussed in more details some of the projects for the GHG mitigation in India. The agenda of the workshop, executive summary of the proceedings, participants list, presentations by various speakers are attached as the Appendices M, N, O and P. The workshop has helped CCOA build a portfolio of climate friendly projects which can be further pursued with some of the funding exiting Organisations, some of whom have shown interest in projects under the CCOA portfolio.

#### 2.1.7 Roundtable on “ Sustainable Development Indicators and UNFCCC issues & options”

Development Alternatives which is one of the key partner Organisation of CCOA is the focal point for the decentralized sector and is expected to take up the role of the climate change information and facilitation center for the decentralized energy sector. Besides they are also the focal point for the research on the sustainable development indicators given their stature as the leading NGO working in the area of the rural development and the upliftment of the underprivileged section of the society. DA organised the round table on the above topic which was first of its kind in India and was challenging since not much work has been done on this topic in India, the presentations made by speakers both from India and USA were quite informative. The agenda, executive summary and list of participants and Presentation by various speakers are attached as the Appendices Q, R, S and T.

#### 2.1.8 Post- Roundtable meeting

A small post Round Table meeting was held on the same day and at the venue of the round table to review the strategy for the project development program. The CCOA partners from CII, IIMA, HB, USAID and the Senior Fellows attended it. The meeting decided that CCOA should pursue for funding of the projects which has been presented to the Climate Change Center with various funding agencies. However it was also felt that the Climate Change Center should also try and get a few big power projects to be pursued for the funding under the CDM mechanism as and when the mechanism becomes operational. This will also help fine tune some of the basic concepts related to CDM like the baseline issues, the certification issue, M&V issue and the Carbon pricing issues etc. It was felt that perhaps a sectoral baseline study could be a useful addition to the CCOA work provided the resources were available.

#### 2.1.9 Post Roundtable discussion on “Sustainable Development Indicators as applied To Climate Change Partnership Projects”

The Round table the prior day had focussed on the broader issue of sustainable development for the GHG mitigation projects but the post- round table workshop was more focussed on the details of defining the SDI's and the process which should be adopted to achieve that. It was a small core group interactive session with participation by the CCOA partners including the USAID and foreign experts who had come for the RT. The agenda, summary of the proceedings and the list of the attendees is attached in the Appendices U, V and W.

#### 2.1.10 Presentation at USAID-Capturing the Benefits : A long term strategy for USAID's Climate Change Program in India

The presentation by John and Shvetank Shah is attached as Appendix X.

## 2.2 Draft TATNA

TATNA Report is attached as Appendix Y.

## 2.3 CCOA Handbook

It was felt that the project developers in India were still struggling with various concepts regarding the climate mitigation projects and there were many gaps both with regards to the conceptual understanding as well as the information regarding the projects and the available funds are concerned. The handbook prepared under the CCOA by Hagler Bailly has tried to bridge the gap in the information regarding the Climate Mitigation Project and the funding of these projects from various national and international sources. The first draft has been well received, the handbook is designed to be a living document and will be put on the web. It will be updated from time to time as the comments are received. The handbook is enclosed as Appendix Z.

## 2.4 Research : Concept paper on SDI for CDM Project

The concept paper on the Sustainable Development Indicators (SDI) for the CDM project is the third in the series of the background paper to be brought under the CCOA. The first two papers on the investment potential under the CDM and the Baseline and the Additionality under **the CDM had been** brought earlier. DA and HB have prepared this paper. The paper has been widely circulated to the industry, NGO, Academia and the Government for their comments on the paper. The paper is attached as Appendix AA.

## 2.5 Outreach through newspapers & newsletters

GCCOA activities/ paper was covered in the newspapers, magazines and newsletters. The list of articles/ interviews/ newsletters published during the report is attached as Appendix AB.

## 3.0 Planned Activities

### 3.1 Workshop with Dr Craig Miller, SAIC

The Emissions Trading workshop has been planned with the CII at three different parts in the country in Chennai, Mumbai and Delhi. In Delhi there are two meetings one at the environment summit of CII under the session on the market based instruments for pollution control and another a longer session which will be separately done. The people being invited for the workshop are the industry, financial institutions and the decision-makers in the government.

### 3.2 Workshop DA

DA is planning a two-day workshop at Pondicherry on the December 2<sup>nd</sup> and 3<sup>rd</sup> 1999. The workshop is titled CDM project development workshop for the decentralized energy sector. It is targeted at projects in the small power sector using local fuel resources.

### 3.3 Meeting at IIM (A)

IIMA is planning to host two meetings from December 9<sup>th</sup> to 11<sup>th</sup>, 1999. The first meeting for the **first** two days will be titled "Development and Financing of Climate Change Partnership Projects". This will include the invites from all the stakeholder groups in the climate mitigation project development including

the industry, academia, the funding Organisation and the decision makers. The second meeting which is on the last day is more focussed on the policy aspect of the climate mitigation in India it is titled “Creating Enabling Environment for Climate Change Mitigation in India”. This is planned a small group interaction with more policy makers participation in the meeting.

### **3.4 Study Tour to Brazil and Argentina**

A number of developing countries are studying the impact of climate change and are developing actions to mitigate it in a serious manner. Nations such as Argentina, Brazil and Kazakhstan have announced their desire to take the lead in mitigation options and have actually started studying implementation of flexible mechanisms and have also invited proposals for such projects. Other countries such as the Philippines are also active and are hosting large USAID supported projects to address climate change mitigation options. The Indian delegation would find it very useful to visit such countries and see where there is commonality in the sources and sinks as well build personal relationships and exchanges to further their programs. The **5-day** developing country tour will be programmed for late 1999 or early 2000.

### **3.5 Launch of Climate Change Website / II Newsletter by CII**

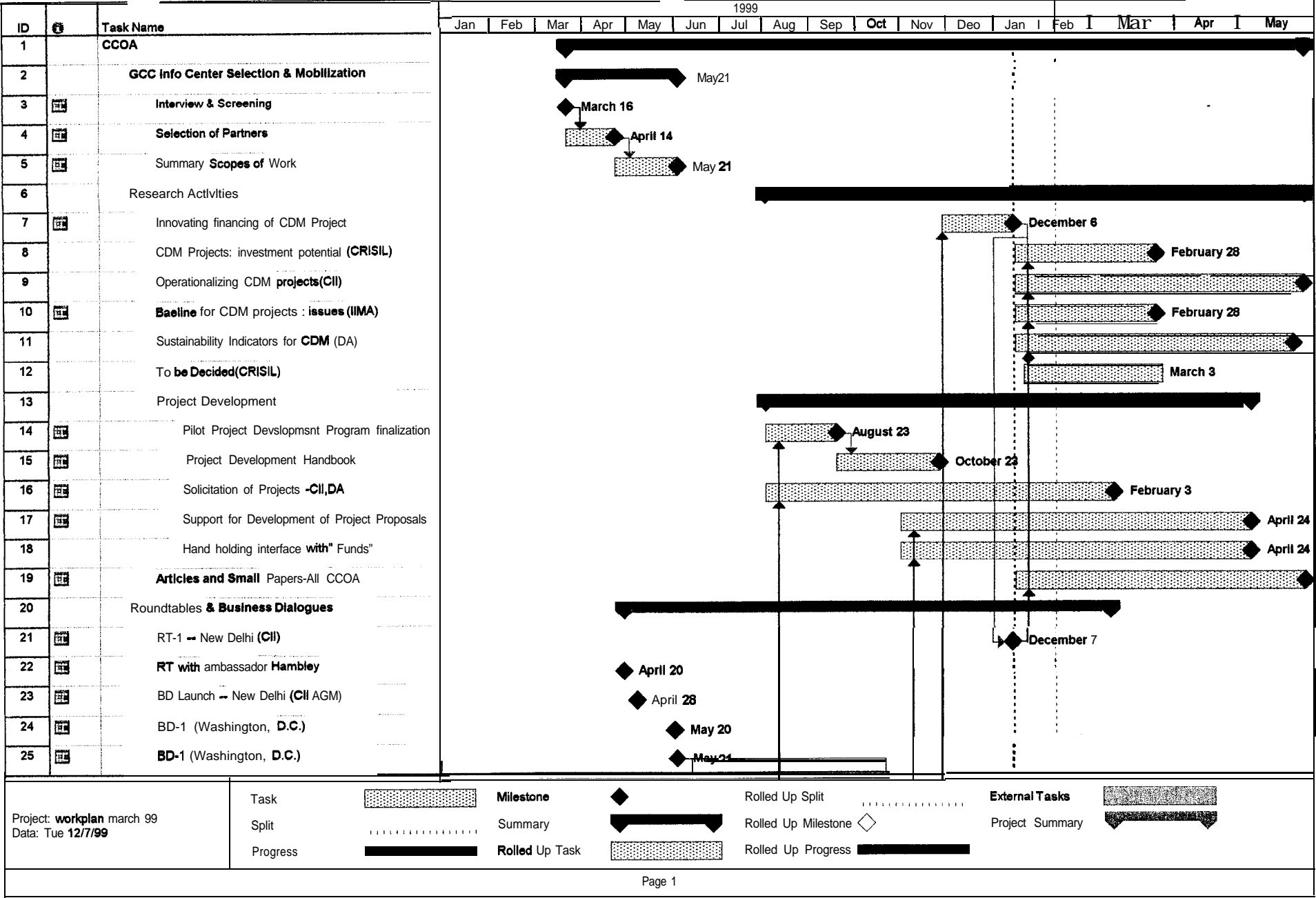
CII as a part of the Climate Change Information Center is to have **website** on the climate change as a part of their web-site and will be called [www.ciionline.com/climatechange](http://www.ciionline.com/climatechange). It will be more focussed on providing project-based information to the audience. The second newsletter of CII on global climate change will be published during November 99.

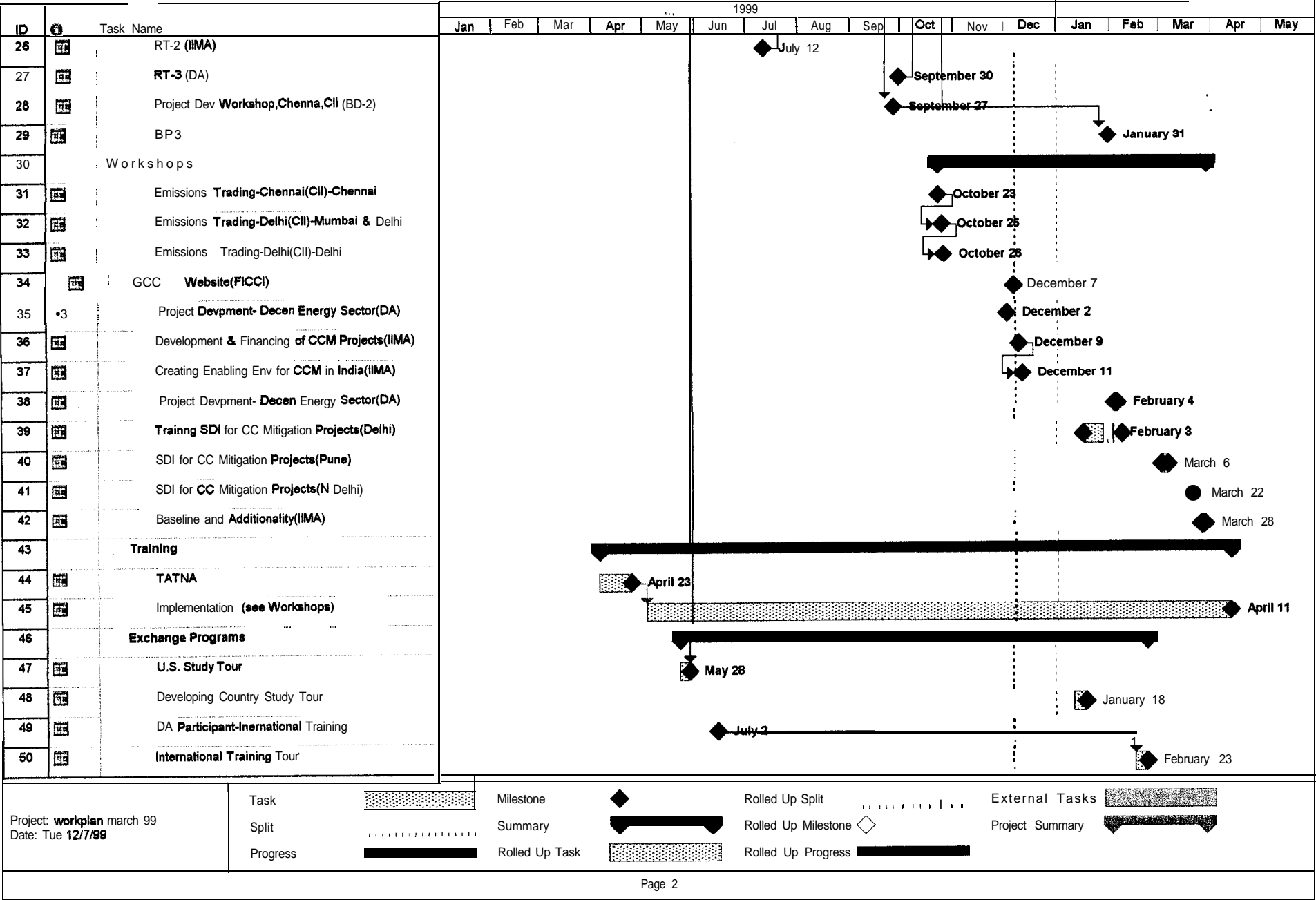
### **3.6 Launch of Climate Change Website by FICCI**

FICCI will be responsible for designing, hosting and maintaining a comprehensive climate change focussed web-site and will use the existing hardware and software support provided under USAID’s Clean Technology Initiative Project. While FICCI will not be responsible for the site’s content, it will provide timely uploads of research and informational materials, papers, tools, and events that will be part of the CCOA project. IIMA has already started the process of supplying the information to FICCI on climate change including the inventory information on **GHG** emissions, in India, in the HTML format. The **website** with climate change addition is expected to be functional by November, 1999 it will be called [www.climatechangeindia.com/org](http://www.climatechangeindia.com/org)

### **3.7 Finalization Background Papers**

The first draft of the last background paper on the CDM process will be presented at the meeting in Ahmedabad and will be finalized after receiving comments.





## LIST OF APPENDICES

S.NO	APPENDIX	CONTENTS
1.	Appx A	CRISIL Workplan & Work schedule
2.	Appx B	DA Modified Workplan & Work schedule
		<b>Roundtable II</b>
3.	Appx C	Agenda for the II Roundtable on “ Operationalizing GHG Projects and Partnerships”
4.	Appx C *	Executive Summary
5.	Appx D	List of Attendees
6.	Appx E	Presentations by various speakers
		<b>DA Workshop with GOI Officials</b>
7.	Appx F	Agenda for the workshop “The Climate Change Outreach and Awareness Project in India: Services for the concerned ministries and organizations”
8.	Appx G	Executive Summary
9.	Appx H	List of Participants
10.	Appx I	Presentations by various speakers
		<b>Project Update Presentation at USAID</b>
11.	Appx J	“ GCCOA Review presentation – Arun Kumar”
		<b>International Training program</b>
12.	Appx K	Monitoring, Evaluation, Reporting, Verification and certification of greenhouse gas emissions-energy sector module
		<b>Pilot Project Development Progress &amp;Chennai Workshop</b>
13.	Appx L	Climate change project development pilot progress in India – Concept note
14.	Appx M	Agenda of the workshop
15.	Appx N	Executive Summary
16.	Appx O	List of participants for the “Developing climate change partnerships projects”
17.	Appx P	Presentations by various speakers/ industries
		<b>Roundtable III</b>
18.	Appx Q	Agenda for the III Roundtable on “Climate change partnerships projects for sustainable development in India & Looking forward to UNFCC Goals: Issues and options”
19.	Appx R	Executive Summary
20.	Appx S	List of participants
21.	Appx T	Presentations by various speakers
		<b>Post Roundtable discussion</b>
22.	Appx U	Agenda for the post roundtable discussion
23.	Appx V	Executive summary
24.	Appx W	List of participants
25.	Appx X	Capturing the Benefits: A long term strategy for USAID’s Climate Change Program in India
26.	Appx Y	TATNA Report
27.	Appx Z	CCOA Handbook
28.	Appx AA	Concept Paper on SDI: Kalipada Chatterjee,DA
29.	Appx AB	Newsletters/ Articles/ Magazines

SECOND AMENDATORY AGREEMENT

TO THE

PROJECT GRANT AGREEMENT

BETWEEN

THE PRESIDENT OF INDIA

AND

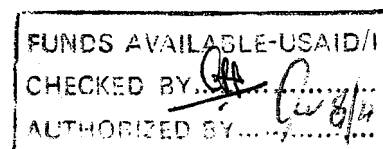
THE UNITED STATES OF AMERICA

FOR

GREENHOUSE GAS POLLUTION PREVENTION PROJECT

APP: 729/01021      BPC: HDV9-99-23386- KG13      \$2,000,000      RCN: R900088

Dated: September 8, 1999



SECOND AMENDATORY AGREEMENT TO THE PROJECT GRANT AGREEMENT FOR  
GREENHOUSE GAS POLLUTION PREVENTION PROJECT

BETWEEN

The President of India  
(hereinafter referred to as the “Grantee”)

and

The United States of America, acting through the  
United States Agency for International Development (“USAID”)

**Dated:** September 8, 1999

**Article I: Purpose of Amendment**

The purpose of this Second Amendatory Agreement to the Project Grant Agreement for the Greenhouse Gas Pollution Prevention Project entered into on the 10th of April, 1995 (“Original Agreement”) is to: (i) increase the planned life-of-project funding **from** Nineteen Million United States (“U.S.”) Dollars (\$19,000,000) to Thirty-Nine Million U.S. Dollars (\$39,000,000) and



increase the **planned** life-of-project Host Country Contribution **from** the Rupee equivalent of **Eighty-Seven Million, Eight Hundred Sixty-Five Thousand U.S. Dollars (\$87865,000)** to the Rupee equivalent of **Ninety-Four Million, Two Hundred Thirty Thousand U.S. Dollars (\$94,230,000)**; (ii) extend the Project Assistance Completion Date (PACD) **from** March 31, 2002 to March 31, 2005; (iii) grant an additional Two Million U.S. Dollars **(\$2,000,000)** to the Grantee; (iv) increase the Host Country Contribution by the Rupee equivalent of Three Hundred Thirty-Five Thousand U.S. Dollars **(\$335,000)**; (v) replace Section B.5 on Reports, Accounting Records, Audits, Inspection with the new provisions in the Project Grant Standard Provisions Annex of the Original Project Agreement; (vi) incorporate a supplement to the Amplified Project Description appearing in Annex 1 of the Original Project Agreement by adding Attachment A to this Second Amendatory Agreement; and (vii) realign the “Illustrative Summary of Project Costs” and reflect increased LOP funding.

## **Article II: The Project**

Section 2.2(a) of the Original Agreement is hereby deleted in its entirety and the following substituted in its stead.

### **“Section 2.2. Incremental Nature of the Project**

(a) **USAID** intends to contribute a total of not to exceed Thirty-Nine Million U.S. Dollars **(\$39,000,000)** for this Project. **USAID's** contribution to the Project will be provided in increments the first two, and now this third having been made available in accordance with Section 3.1 of this

Agreement. Subsequent increments will be subject to the availability of funds to USAID for this purpose, and to the mutual agreement of the parties at the time of each subsequent increment to proceed.”

### **Article III: Financing**

Section 3.1 of the original agreement is hereby deleted in its entirety and the following substituted in its stead.

“Section 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to the Grantee under the terms of this Agreement not to exceed Twenty Million Nine Hundred Twenty-Two Thousand U.S. Dollars (\$20,922,000) (“Grant”). **[The Grant is composed of Nine Million Five Hundred Thousand U.S. Dollars (\$9,500,000) under the terms of the Original Agreement; Nine Million Four Hundred Twenty-Two Thousand U.S. Dollars (\$9,422,000) under the terms of the First Amendatory Agreement; and Two Million U.S. Dollars (\$2,000,000) under the terms of this Second Amendatory Agreement]** The Grant may be used to finance foreign exchange costs as defined in Section 6.1. and local currency costs as defined in Section 6.2, of goods and services required for the Project.”

B. Section 3.2 (b) of the Original Agreement is hereby deleted in its entirety and the following substituted in its stead:

“(b) It is the understanding of the parties that over the life of the project, the Grantee will provide or cause to be provided ~~from~~ enterprises receiving assistance through the project, the equivalent of Ninety-Four Million, Two Hundred and Thirty Thousand US. Dollars (\$94,230,000) in cash and/or in kind as Host Country Contribution. Of this amount, the Grantee agrees to provide or cause to be provided not less than the equivalent of Eighty-Seven Million Eight Hundred and Sixty-Five Thousand U.S. Dollars (\$87,865,000) in cash and/or in kind in connection with the Grant up to and including the Second **Amendatory** Agreement.”

#### **Article IV: Project Grant Standard Provisions**

A. Replace Section B.5 on Reports, Accounting Records, Audits, Inspection with the following new provisions in the Project Grant Standard Provisions Annex of the Original Project Agreement:

Reports and Information, Agreement Books and Records, Audits, and Inspections.

(a) Reports and Information. The Grantee shall furnish **USAID** accounting records and such other information and reports relating to the Agreement as **USAID** may reasonably request.

(b) Agreement Books and Records. The Grantee shall maintain accounting books, records, documents and other evidence relating to the Agreement, adequate to show, without limitation, all costs incurred under the Agreement, the receipt and use of goods and services acquired under the Agreement, agreed-upon cost sharing requirements, the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Agreement toward completion (“Agreement books and records”). The

Grantee shall maintain Agreement books and records in accordance with generally accepted accounting principles prevailing in the United States, or at the Grantee's option, with approval by **USAID**, other accounting principles, such as those (1) prescribed by the International Accounting Standards Committee (an affiliate of the International Federation of Accountants) or (2) prevailing in the country of the Grantee. Agreement books and records shall be maintained for at least three years after the date of last disbursement by **USAID** or for such longer period, if any, required to resolve any litigation, claims or audit findings.

(c) Grantee Audit. If \$25,000 or more is expended directly by the Grantee in its fiscal year under the Agreement, the Grantee shall have financial audits made of the expenditures in accordance with the following terms, except as the Parties may otherwise agree in writing:

(1) With **USAID** approval, the Grantee shall use its Supreme Audit Institution or select an independent auditor in accordance with the "Guidelines for Financial Audits Contracted by Foreign Recipients" issued by the **USAID** Inspector General ("Guidelines"), and the audits shall be performed in accordance with the "Guidelines"; and

(2) The audit shall determine whether the receipt and expenditure of the funds provided under the Agreement are presented in accordance with generally accepted accounting principles agreed to in section (b) above and whether the Grantee has complied with the terms of the Agreement. Each audit shall be completed no later than nine months after the close of the Grantee's year under audit.

(d) Subrecipient Audits. The Grantee, except as the Parties may otherwise agree in writing, shall submit to **USAID**, in form and substance satisfactory to **USAID**, a plan for the audit of the expenditures of "covered" subrecipients, as defined below, that receive funds under this Agreement pursuant to a direct contract or agreement with the Grantee.

(1) A "covered" subrecipient is one who expends \$25,000 or more in its fiscal year in

"USAID awards" (i.e., as recipients of USAID cost reimbursable contracts, grants or cooperative agreements and as sub-recipients under USAID project and other grant agreements with foreign governments).

(2) The plan shall describe the methodology to be used by the Grantee to satisfy its audit responsibilities for covered subrecipients. The Grantee may satisfy such audit responsibilities by relying on independent audits of the subrecipients; expanding the scope of the independent financial audit of the Grantee to encompass testing of subrecipients' accounts; or a combination of these procedures.

(3) The plan shall **identify** the funds made available to covered subrecipients that will be covered by audits conducted in accordance with other audit provisions that would satisfy the Grantee's audit responsibilities. (A nonprofit organization organized in the United States is required to arrange for its own audits. A for-profit contractor organized in the United States that has a direct contract with USAID is audited by the cognizant U.S. Government Agency. A private voluntary organization organized outside the United States with a direct grant from USAID is required to arrange for its own audits. A host-country contractor should be audited by the Grantee's auditing agency.)

(4) The Grantee shall ensure that covered subrecipients under direct contracts or agreements with the Grantee take appropriate and timely corrective actions; consider whether subrecipients' audits necessitate adjustment of its own records; and require each such subrecipient to permit independent auditors to have access to records and financial statements as necessary.

(e) Audit Reports. The Grantee shall **furnish** or cause to be furnished to USAID an audit report for each audit arranged for by the Grantee in accordance with this Section within 30 days after completion of the audit and no later than nine months after the end of the period under audit.

(f) Other Covered Subrecipients. For "covered" subrecipients who receive funds under the

Agreement pursuant to direct contracts or agreements with USAID, USAID will include appropriate audit requirements in such contracts or agreements and will, on behalf of the Grantee, conduct the follow-up activities with regard to the audit reports furnished pursuant to such requirements.

(g) Cost of Audits. Subject to USAID approval in writing, costs of audits performed in accordance with the terms of this Section may be charged to the Agreement.

(h) Audit by USAID. USAID may, at its discretion, perform the audits required under this Agreement on behalf of the Grantee by utilizing funds under the Agreement or other resources available to USAID for this purpose.

i) Opportunity to Audit or Inspect, The Grantee shall afford authorized representatives of USAID the opportunity at all reasonable times to audit or inspect activities financed under the Agreement, the utilization of goods and services financed by USAID, and books, records and other documents relating to the Agreement.


B. The original Illustrative Summary of the Project Costs as shown in Attachment A to Annex 1 of the original project grant agreement, as previously amended, is hereby deleted in its entirety and is replaced by the Illustrative Summary of the Project Costs as shown in Attachment B to this Second Amendatory Agreement.

#### **Article V. Other Terms and Conditions**

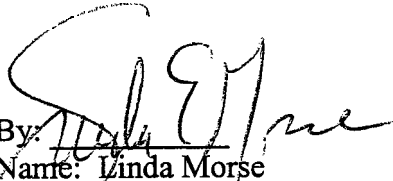
All other terms and conditions of the Original Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Second Amendatory Agreement to be signed in their names and delivered as of the day and year first above written.


THE PRESIDENT OF INDIA

By:   
Name: R.S. Sharma  
Title: Joint Secretary  
Department of Economic Affairs  
Ministry of Finance  
Government of India

UNITED STATES OF AMERICA

By:   
Name: Linda Morse  
Title: Director  
United States Agency for  
International Development  
Mission to India

INDUSTRIAL DEVELOPMENT BANK  
OF INDIA

By:   
Name: S.A. Shanbhag  
Title: General Manager  
Venture Capital Division  
Industrial Development Bank of India

**Supplement to the Amplified Project Description  
Greenhouse Gas Pollution Prevention (GEP) Project**

The Project Agreement Amendment of the Greenhouse Gas Pollution Prevention Project (GEP) will expand the current efficient coal conversion activities and add two new elements: fostering climate change initiatives for sustainable development, and linking urban development and climate change activities.

The project will be extended by three years and the new Project Assistance Completion Date will be March 31, 2005. This extension builds on progress achieved in the last four years.

**2. Project Description**

The current activities ongoing under GEP will be continued as planned. The new set of activities under the Climate Change Supplement (CCS) will increase awareness, available information, and practical examples of actions that can fulfill the sustainable development objectives and simultaneously benefit the global climate. These can be grouped into the following broad components:

- a. ***Efficient Power Generation.*** This component is in fact the expansion of the current Efficient Coal Conversion (ECC) component. This will promote development of advanced power generation technologies, power plant efficiency improvement through continued emphasis on optimizing operations at existing power plants, commercialization of large utilization of coal-combustion by-product and rehabilitation and modernization of older and less efficient power plants. **Focussed** technical assistance and training will build local capacity to sustain improved efficiency of power generation and emissions control **from** existing power plants. Technical assistance will also be provided to facilitate development of more advanced and lower greenhouse gas emitting power generation technologies for the new planned power generation capacity expansion.
- b. ***Fostering Climate Change Initiatives for Sustainable Development.*** This component will build local capacity and help create a forum for greater dialogue and cooperation between the U.S. and Indian government, private, and non-government stakeholders to objectively assess and implement actions that will help reduce the rate of growth of greenhouse gas emissions and simultaneously promote sustainable economic development. Sustainable efforts with public and private sector entities, NGOs, and academic institutions, and concerned government agencies of both countries will be targeted to:

Promote technical cooperation;  
Strengthen efforts to attract and channel private financing into clean technology



Create public-private partnerships;  
 Develop human and institutional capacity;  
 Collaborate more closely with other international donor institutions and their relevant programs in India to leverage a larger pool of resources; and  
 Develop projects for leveraging multilateral project funds

- c. ***Linking Urban Development and Climate Change.*** This will be achieved by conversion of a targeted number of two stroke vehicles to a cleaner technology on a commercially sustainable way and by local capacity building for methane capture and use from solid wastes to reduce greenhouse gas emissions. **USAID** will work with one or two local municipal authorities, auto manufacturers, and traffic management agencies to design a fuel switching activity (to alternate fuels, or electricity) aimed at selected number of two stroke vehicles. These “clean” vehicles will be combined with a more efficient traffic-flow management program along selected urban corridors in the target urban area. The aim of the activity is to reduce the rate of growth of transportation fuel demand and the resultant rate of carbon dioxide emissions. In solid waste management, **USAID** will build on its past efforts (through other projects such as FIRE) in Ahmedabad, Cochin, Tiruppur, to build local capacity to assess the methane mitigation and use potential at various stages of solid waste collection, transportation, and final disposal. Training and tools for assessing the various technologies for energy recovery from solid waste will be provided to local institutions.

### 3. Outputs

#### a **Efficient Power Generation**

Institutional capability of Center for Power Efficiency and Environmental Protection (**CenPEEP**) developed to implement a sustainable efficiency and emissions control program at NTPC through creation of regional energy efficiency service providers.

Local capacity developed to implement a sustainable power plant efficiency improvement program for State Electricity Boards resulting in efficiency improvement in at least three **SEBs**

Implementation of a model performance based life extension plan in a selected power plant with the development of a generic handbook for implementing similar plans at other plants.

Commercial utilization of coal combustion by-products as a replacement of energy intensive construction material enhanced

Facilitate technology transfers and enhance private investment for advanced and lower greenhouse gas emitting power generation technologies

**b. Fostering Climate Change Initiatives for Sustainable Development**

Local capacity developed to objectively assess the linkages between economic development and market-based tools for reducing the rate of GHG emissions.

A good pipeline of projects developed for various funds that will benefit the global climate mitigation and simultaneously accelerate economic development goals.

Increased awareness and dialogues in the country on vulnerability to global climate change and opportunities for collaboration on mutually beneficial areas.

Greater policy level exchange visits between U.S. and India.

Increased linkages between NGO, industry, and scientific community on opportunities for climate change mitigation efforts that meet development goals.

**c. Linking Urban Development and Climate Change**

Targeted number of two-stroke engine vehicles converted to a cleaner technology on a commercially sustainable way

A pilot project designed for a selected site for efficient **traffic** flow management coupled with the converted two-stroke engine vehicles as feeders into public transport system

Local capacity developed to evaluate various methane utilization options for solid waste and develop a site-specific case study for implementation.

**4. Roles and Responsibilities.**

The institutional mechanisms and configuration for project implementation, monitoring and evaluation as provided in the original Project Grant Agreement remains unchanged. However, an expanded set of local institutions such as **Infrastructure** Leasing and Financial Services, State Electricity Boards, municipal authorities, **NGOs**, academic institutions, private and public sector agencies, and others that have expressed interest in participating in the project, will be included.

GREENHOUSE GAS POLLUTION PREVENTION PROJECT (386-0534)  
ILLUSTRATIVE SUMMARY OF PROJECT COSTS\*  
(IN THOUSANDS OF U.S. DOLLARS)

I.No.	Project Element	Obligation this Second Amendment					Cumulative Obligation					Planned Life of Project Obligation				
		USAID			HCC** Project		USAID			HCC**	Project	USAID			HCC	Total
		FX	LC	Total		Total	FX	LC	Total		Total	FX	LC	Total		Total
	<b>Investments</b>															
	a. ASC	0	0	0	0	0	0	7,341	*****	7,341	59,246	***	66,567	0	7,341	66,567
	b. ECC	0	0	0	0	0	0	2,500		2,500	16,514	*****	21,014	0	2,500	21,014
I.	<b>Technical Assistance</b>															
	a. Start-up activities	0	0	0	0	0	140	34	174	0	174	140	34	174	0	174
	b. Long term technical advisers	0	0	0	0	0	1,301	0	1,301	0	1,301	1,301	0	1,301	0	1,301
	c. short term consultants (US and Indian)	0	0	0	0	0	4,695	793	*****	5,466	0	5,466	4,695	793	5,466	0
	d. Office Support	0	0	0	0	0	65	275	340	0	340	65	275	340	0	340
	e. CCS TA	1,200	500	1,700	265	1,965	1,200	500	1,700	265	1,965	11,660	3,606	15,466	5,100	20,566
II.	<b>Training</b>															
	a. Local Training	0	0	0	0	0	0	61	61	30	111	0	61	81	30	111
	b. US Training	0	0	0	0	0	622	0	*****	622	65	887	622	0	622	65
	c. CCS Training	200	100	300	50	350	200	100		300	50	350	1,266	744	2,012	700
IV.	<b>Project Implementation</b>	0	0	0	0	0	100	225	*****	325	0	325	100	425	525	0
V.	<b>Evaluation</b>	0	0	0	0	0	120	30		150	0	150	420	30	450	0
VI.	<b>Audit</b>	0	0	0	0	0	0	100	*****	100	0	100	0	300	300	0
VII.	<b>Administrative and Other</b>	0	0	0	0	0	0	300		300	9,675	9,975	0	300	300	10,575
VIII.	<b>Contingency/Inflation</b>	0	0	0	0	0	0	0		0	0	0	926	952	1,076	0
	<b>TOTAL</b>	<b>1,400</b>	<b>600</b>	<b>2,000</b>	<b>335</b>	<b>2,335</b>	<b>8,643</b>	<b>12,279</b>	<b>20,922</b>	<b>87,865</b>	<b>108,787</b>	<b>21,417</b>	<b>17,583</b>	<b>39,000</b>	<b>94,230</b>	<b>133,230</b>

\* Either party may unilaterally, with written notice to the other, adjust line items in this budget to a maximum of 10% per line item, provided, however, that the total obligated amount as show in the budget is not exceeded; the total contribution by the Grantee is not reduced; and the amount budgeted for evaluation/audit is not reduced.

\*\* The exchange rate for determining the amount of host country contribution (HCC) over the life of the project is \$1.00=Rs.31.25

\*\*\* HCC to be provided by subproject participants and development finance institutions to be identified at a later date between the parties.

\*\*\*\* HCC to be provided by subproject participants and development finance institutions to be identified at a later date between the parties; this contribution is completely separate from the estimated contribution to be made by NTPC for the ECC-TA subcomponent; the total estimated HCC from NTPC is \$9.675 million.

\*\*\*\*\* Budget line items show the inter-line item realignment vide PIL nos. 14, 17 and 19.

ABC - Alternative Bagasse Cogeneration  
ECC - Efficient Coal Conversion  
CCS - Climate Change Supplement

Geep E<sup>3</sup>  
USAID Project No. 386-0534

FIRST AMENDATORY AGREEMENT

TO THE

PROJECT GRANT AGREEMENT

BETWEEN

THE PRESIDENT OF INDIA

AND

THE UNITED STATES OF AMERICA

FOR

GREENHOUSE GAS POLLUTION PREVENTION PROJECT

(GEEP)

APP: 725161021 BPC: HDV5-95-23386-KG-13 RCN: R500066 \$9,422,000.00

Dated: May 22, 1995

FUNDS AVAILABLE - US AID 1
CHECKED BY <i>News</i> <i>4/21</i>
AUTHORIZED BY <i>luc</i> <i>4/21</i>

**USAID Project No.386-0534**

FIRST AMENDATORY AGREEMENT TO THE PROJECT GRANT AGREEMENT FOR  
GREENHOUSE GAS POLLUTION PREVENTION PROJECT

BETWEEN

The President of India

(hereinafter referred to as the **"Grantee"**)

and

The United States of America, acting through the  
United States Agency for International Development (**"USAID"**)

Dated: May 22, 1995

Article I: Purpose of Amendment

The purpose of this First Amendatory Agreement to the Project Grant Agreement for the Greenhouse Gas Pollution Prevention Project entered into on the 10th of April, 1995 ("Original Agreement") is to: (i) grant additional Nine Million Four Hundred Twenty-Two Thousand United States (**"U.S."**) Dollars (**\$9,422,000**) to the Grantee; and (ii) increase the host country contribution to the project by the rupee equivalent of Forty-Four Million Eight Hundred Ten Thousand U.S. Dollars (**\$44,810,000**).

## Article II: Financing

Section 3.1 of the original agreement is hereby deleted in its entirety and the following substituted in its stead.

"Section 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, **USAID**, pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to the Grantee under the terms of this Agreement not to exceed Eighteen Million Nine Hundred Twenty-Two U.S. Dollars **(\$18,922,000)** ("**Grant**"). [The Grant is composed of Nine Million Five Hundred Thousand U.S. Dollars **(\$9,500,000)** under the terms of the Original Agreement, and Nine Million Four Hundred Twenty-Two Thousand U.S. Dollars **(\$9,422,000)** under the terms of this First Amendatory Agreement.] The Grant may be used to finance foreign exchange costs as defined in Section 6.1. and local currency costs as defined in Section 6.2, of goods and services required for the Project."

B. Section 3.2 (b) of the Original Agreement is hereby deleted in its entirety and the following substituted in its stead:

"(b) It is the understanding of the parties that over the life of the project, the Grantee will provide or cause to be provided from enterprises receiving assistance through the project, the equivalent of Eighty-Seven Million Five Hundred

Thirty Thousand U.S. Dollars **(\$87,530,000)** in cash and/or in kind as Host Country Contribution. Out of this amount, the National Thermal Power Corporation Ltd. 's contribution shall be the local currency equivalent of Nine Million Six Hundred Seventy-Five Thousand U.S. Dollars **(\$9,675,000)** and the balance in local currency equivalent of Seventy-Seven Million Eight Hundred **Fifty-Five** Thousand U.S. Dollars **(\$77,855,000)** will be provided by **sub-**project participants and the participating Development Finance Institutions (excluding NTPC) to be identified at a later date between the parties. The Grantee agrees to provide or cause to be provided not less than the equivalent of Eighty-Seven Million Five Hundred Thirty Thousand U.S. Dollars **(\$87,530,000)** with reference to the Host Country Contribution in connection with this Grant up to and including the First Amendatory Agreement.

C. The Illustrative Summary of Project Costs as shown in Attachment A to Annex I of the Original Project Grant Agreement is hereby deleted in its entirety and is replaced by the Illustrative Summary of Project Costs as shown in Attachment A to this First Amendatory Agreement.


#### Article III. Other Terms and Conditions


All other terms and conditions of the Original Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Grantee and **USAID**, each acting through its duly authorized representative, have caused this First Amendatory Agreement to be signed in their names and delivered as of the day and year first above written.

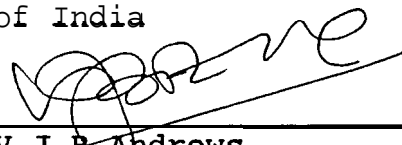
THE PRESIDENT OF INDIA

UNITED STATES OF AMERICA

By:   
 Name: G. Haldea  
 Title: Joint Secretary  
 Department of Economic  
 Affairs,  
 Ministry of Finance,  
 Government of India

By:   
 Name: Walter G. Bollinger  
 Title: Director  
 United States Agency  
 for International  
 Development Mission to  
 India

Industrial Development Bank  
 of India

By:   
**V.J.B. Andrews**  
**General Manager**  
 Technology Development  
 Industrial Development Bank of India  
 IDBI Tower  
 Cuffe Parade, Bombay 400 005



GREENHOUSE GAS POLLUTION PREVENTION PROJECT (386-0534)  
ILLUSTRATIVE SUMMARY OF PROJECT COSTS\*  
(IN THOUSANDS OF U.S. DOLLARS)

S.No.	Project Element	Obligation this First Amendment					Cumulative Obligation					Planned Life of Project Obligation				
		USAID			HCC		USAID			HCC**	Project	USAID			HCC	Total
		FX	LC	Total		Total	FX	LC	Total		Total	FX	LC	Total		Total
I.	Investments															
	a. ABC	0	3,000	3,000	22,218	25,218	0					0	8,000	8,000	59,246 ****	67,246
	b. ECC	0	2,500	2,500	18,514	21,014		8,000	8,000	59,246 ****	67,246	0	2,500	2,500	18,514 ****	21,014
								2,500	2,500	16,514	21,014					
II.	Technical Assistance															
	a. Long-term technical advisers	170	0	170	0	170	140	34	174	0	174	140	0	174	0	174
	b. Short term consultants (US and Indian)	1,025	503	1,528	0	1,526	1,301	0	1,301	0	1,301	1,301	793	1,301	0	1,301
	c. Office Support						2,520	793	3,313		3,313	2,520		3,313		3,313
	d. Office Support	65	0	65	0	65	65	275	340	0	340	65	275	340	0	340
III.	Training															
	a. US Training	379	0	379	40	420	0	81	81	30	111	0	81	81	30	111
	b. US Training						522	0	522	65	587	522	0	522	65	587
V.	Project Implementation	0	120	120	0	120	0	225	225	0	225	0	225	225	0	225
VI.	Evaluation	100	25	125	0	125	145	55	200	0	200	145	55	200	0	200
VII.	Audit	0	100	100	0	100	0	150	150	0	150	0	150	150	0	150
VIII.	Administrative and Other	0	125	125	4,031	4,156	0	300	300	9,675	9,975	0	300	300	9,675	9,975
IX.	Contingency/Inflation	424	877	1,301	0	1,341	444	1,372	1,816	0	1,816	470	1,424	1,894	0	1,894
	TOTAL	2,172	7,250	9,422	44,840	54,232	5,137	13,785	18,922	87,539	106,452	5,163	13,837	19,000	87,530	196,539

- Either party may unilaterally, with written notice to the other, adjust line items in this budget to a maximum of 10% per line item, provided, however, that the total obligated amount as show in the budget is not exceeded; the total contribution by the Grantee is not reduced; and the amount budgeted for evaluation/audit is not reduced.

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ABC - Alternative Bagasse Cogeneration  
ECC - Efficient Coal Conversion